Galibier Capital Management Ltd.

Quarterly Investment Review

Q4 2016

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Results

"The market is there to serve you, not to instruct you."

-Benjamin Graham

The most important thing we do at Galibier is to proactively value an “investable” universe of stocks. In order to be included in our investable universe, the companies must have enduring competitive advantages, be managed by highly competent and aligned individuals, generate strong and reliable economic earnings, have solid balance sheets and have above average long term growth potential. We do this valuation work proactively so that we are ready to act when the market provides us with opportunities to buy stocks below what we think they are worth.

The fourth quarter of 2016 was another strong quarter for the markets. Returns in Canada and the U.S. were both up mid-single digits with the S&P/TSX Index up +4.5% while in the U.S., the S&P500 (C$) returned +5.9%.

The election of President-elect Donald Trump has had a notable impact on the financial markets. The strong price moves in various sectors reflect investors’ attempts to anticipate policy and fiscal changes under the new president. Chief among these is the potential for a material cut in the U.S. corporate tax rate and potentially far reaching changes to U.S. trade policies. Other anticipated policy changes include a reduction in the regulatory burden for financial services companies, a significant alteration to the Affordable Health Care Act and perhaps price controls on pharmaceuticals. It remains to be seen whether Mr. Trump will be able to put his promises to work even with a Republican House and Senate.

The top performing sectors in Canada were Financials (+11.5%), Energy (+7.0%) and Industrials (+5.3%). The worst performing sectors were Healthcare (-28.6%) and Materials (-6.2%).

In the U.S., the top performing sector was Financials (+24.1%) followed by Energy (+10.0%) and Industrials (+9.9%). The worst performing sectors were the Real Estate (-2.0%) and Healthcare (-1.6%) sectors.

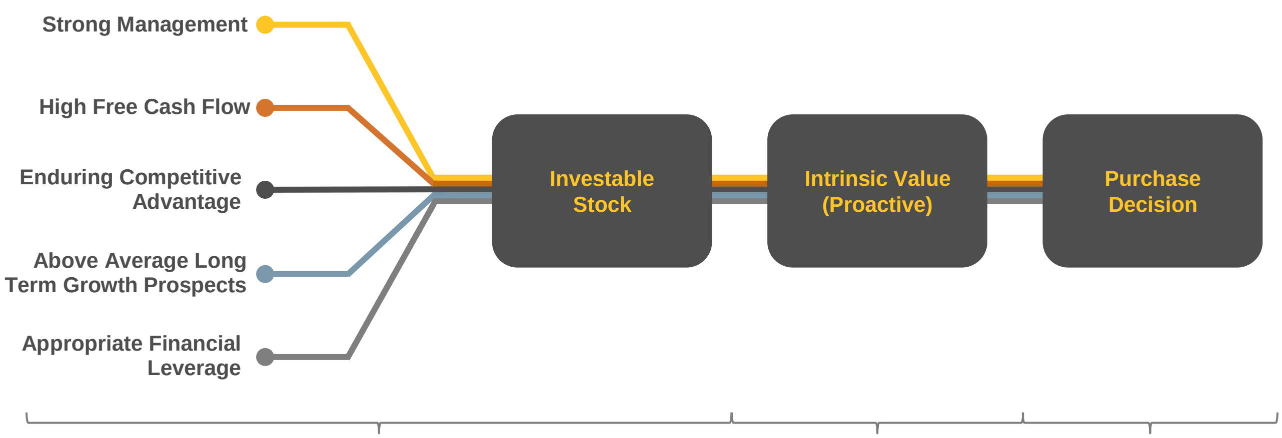
During 2016, our assets under management have grown from $250MM to $650MM. As promised, we are investing against our asset growth and continue to buttress our team to support Galibier’s very focused and research intensive investment process.

Galibier Capital Management Ltd.

At Galibier we work hard to (1) derive a measure of intrinsic value for a universe of investable stocks and (2) transact when market prices offer opportunities. To paraphrase Warren Buffett "Price is what you pay. [Intrinsic] Value is what you get." Thus, while we welcome price to earnings multiple expansions, what really drives increases in the future value of companies is higher future earnings. Our investment process seeks to identify and value future earnings power and balance sheet structure using reasonable expectations about future economic conditions and high discount rates.

Galibier Investment Philosophy and Process

Galibier follows a proactive and innovative valuation methodology



Step 1: Define Investable Universe

Define investable stocks based on key criteria

Step 2: Proactive and Innovative Valuation Methodology

Determine intrinsic value using rigorous and consistent valuation methodology

Step 3: Portfolio Construction

Transact when price differs from intrinsic value

We Believe

- Companies have an intrinsic value that can be calculated
- Market prices do not always reflect intrinsic value
- Growth is a component of value
- At some price, almost all stocks offer a value proposition
- Risk is the permanent loss of capital, not benchmark underperformance
- Investment companies should be independent and investor led
- The success of investment companies should be measured by the success of its clients
- An essential element towards investment success is to have a contrarian mindset… ie. to be sanguine when others are discouraged and to be cautious when others are exuberant….

Galibier Canadian Equity Pool Summary of Results						
Period ending: Dec 31/2016	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Inception (%)
Galibier Canadian Equity Pool	**4.6**	**21.3**	**5.6**	**8.9**	**13.9**	**13.1**
S&P/TSX Composite (total return)	4.5	21.1	5.4	7.1	8.5	8.4

Note:
Return figures are gross of fees. Return figures are annualized for periods greater than 1 year. Inception date of the Canadian Pool is September 27, 2012.
Source: Galibier Capital Management Ltd, Bloomberg. See Note 1 and Disclaimer at the end of this document for information about the returns and benchmarks.

Galibier Canadian Equity Pool

In Q4 2016, the S&P/TSX provided a total return of +4.5%. The Galibier Canadian Equity Pool's investment results were slightly better at +4.6%. For the one year period ending December 31/2016, Galibier's Canadian Equity Pool returned 21.3% versus the S&P/TSX return of 21.1%. Since its inception, the Canadian Pool has returned +13.1 per year versus the index return of +8.4%.

Canadian Equity Pool Top Holdings (Dec 31/2016)	
	Weight (%)
1. CIBC	6.2
2. Cenovus Energy Inc.	5.9
3. Manulife Financial Corp.	5.6
4. Enghouse Systems Ltd.	5.2
5. Cargojet Inc.	5.1
6. Gildan Activewear Inc.	5.1
7. Industrial Alliance Ins. & Fin. Services	5.1
8. CGI Group Inc.	4.5
9. Northland Power Inc.	4.5
10. DHX Media	4.4
Total	**51.6**

Best performers during the quarter[2]

Manulife Financial up +30%

During the quarter, Manulife reported financial results that were well above consensus estimates led by strong growth in Asia and an improving investment experience. As well, shares of Manulife rallied at the prospect of rising U.S. interest rates coupled with U.S. tax cuts and possibly less regulatory drag as proposed by President-elect Donald Trump. These proposals bode well for Manulife which derives close to half of its core earnings in the U.S.

Ag Growth International up +19%

Ag Growth reported strong third quarter results with improvement in both margins and volumes across all product lines. During the quarter, the company continued to build out its fertilizer platform and announced the acquisition of Yargus Manufacturing, a U.S. based manufacturer of fertilizer handling equipment. In addition to the strong financial results, the integration of the 2016 Brazilian acquisition, Entringer, is ahead of schedule with commissioning of its new factory now expected in early 2017. We continue to be excited about the long-term international opportunity available to Ag Growth, especially with the new Brazilian production facility ramping up in 2017.

Industrial Alliance up +14%

Industrial Alliance (IAG) reported solid financial results in the quarter with strong performance across several key metrics including profitability. In addition to the strong results, there is initial evidence that the prior difficulties in the mutual fund segment seem to be receding. Lastly, the prospect of slowly rising interest rates is significantly positive for IAG as the company has the highest interest rate exposure of the Canadian insurance companies.

Badger Daylighting up +13%

Badger Daylighting shares posted strong returns in the quarter driven by financial results that were largely in line with expectations and by renewed market interest in energy focused names following the November OPEC meeting. Badger's geographic and end market diversification has proven to be a continuing competitive advantage, allowing the company to hold margins fairly steady despite weakness in energy end markets. Badger continues to execute on growing its non-energy related business, with continued relocation of 20% of its fleet over the past year.

Worst performers during the quarter[2]

DH Corp down -20%

DH posted weak returns again this quarter after releasing poor third quarter results. Weakness came in all segments including lower than expected cheque printing volumes in Canada, continued lower levels of Laser Pro renewals in the U.S. Core segment and lower new contract signings for its payment hub technology. While we remain frustrated by the communication from management, we believe that the announcement of a special committee of independent directors to review expressions of interest from third parties to acquire the company is a step in the right direction.

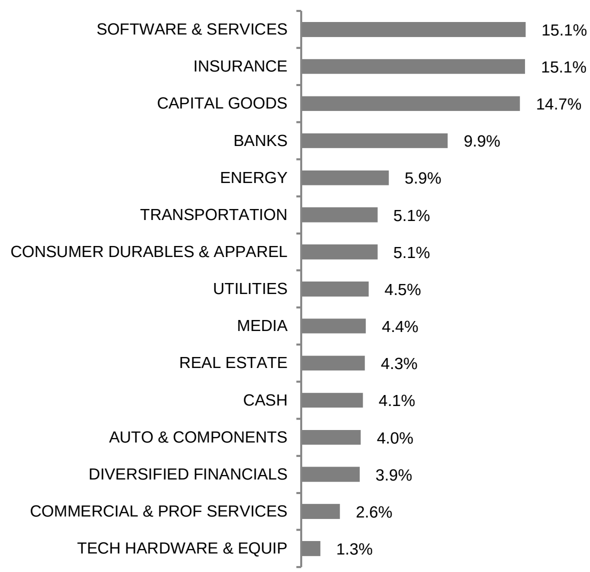
Pure Technologies down -18%

Third quarter results for Pure Technologies, which holds a dominant position in the pipeline inspection industry, were negatively impacted by project delays in its water segment business. Coupled with its high fixed cost base, the delays of incremental sales have had a temporary negative impact on margins which disappointed us and other investors. The combined effects of the items above more than offset significant growth in the company's oil and gas pipeline inspection segment. Going forward, the company will see a return to growth as delayed projects materialize and potential new business, such as the 800 mile inspection of pipeline by the Metropolitan Water District of Southern California, are added to the company's backlog. Significant revenue can be added with little incremental cost leading to improved margins. In the meantime the company, which has no debt, continues to invest in growth and acquisitions while paying a reasonable dividend.

MacDonald, Dettwiler & Associates down -16%

Shares of MacDonald Dettwiler (MDA) weakened in the quarter as satellite orders in the commercial segment remain depressed and as delays continued with the company's attempts to obtain security clearance from the U.S. government. Management has completed all of the required changes in order to gain clearance, and it is now just a matter of U.S. government approval and sign off which is expected to happen in early 2017. Access to a greater amount of U.S. government work will lead to substantial growth in earnings over the 3-year timeframe. In the meantime, SpaceX is scheduled to start launching satellites again in early January after the catastrophic failure of a launch in September. A successful restart of launches is key to support further growth in the commercial satellite segment and MDA's backlog.

Canadian Equity Pool Industry Split (Dec 31/2016)



Buys & Sells

Only one new name was added to the fund in the fourth quarter: New Flyer Industries Inc.

In addition to New Flyer, we added to several positions including CIBC, CGI Group, DREAM Global REIT, Gildan Activewear, Intact Financial, MacDonald Dettwiler and Northland Power.

The fund reduced its exposure to Ag Growth, Badger Daylighting, Cenovus Energy and Industrial Alliance over the quarter. Two positions were eliminated: Aritizia and MTY Food Group.

As a result of these transactions, the cash position grew to 4.1% from 1.6% at the end of Q3.

New Buys:

New Flyer Industries

New Flyer is the largest manufacturer of transit buses and motor coaches in North America. The company offers internal combustion and electric options as well as an aftermarket parts and service business. In late 2015, the U.S. government announced a five-year funding deal under the title FAST (Fix America's Surface Transportation), which should provide a positive tailwind to the industry. We like New Flyer's dominant market share positioning as well as the cost savings and synergy opportunities available following the integration of the Motor Coach Industries acquisition in 2015.

Canadian Equity Pool Dynamics (Dec 31/2016)		
Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	16.5x	16.2x
Dividend Yield	2.8%	2.8%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier U.S. Equity Pool Summary of Results						
Period ending: Dec 31/2016	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Inception (%)
Galibier U.S. Equity Pool	**7.7**	**6.7**	**10.5**	**11.1**	**18.2**	**16.9**
S&P500 (CAD, total return)	5.9	8.1	14.6	17.7	23.2	21.7

Note:
Return figures are gross of fees. Return figures are annualized for periods greater than 1 year. Inception date of the U.S. Pool is September 27, 2012.
Source: Galibier Capital Management Ltd, Bloomberg. See Note 1 and Disclaimer at the end of this document for information about the returns and benchmarks.

Galibier U.S. Equity Pool

The S&P500 returned +5.9% in Q4 2016 as measured in Canadian dollar terms. Galibier's investment results were stronger at +7.7% for the quarter. For the year ended December 31/2016, the Galibier U.S. Equity Pool's investment result was +6.7%. Since inception, the U.S. Pool's annualized return has been +16.9%.

U.S. Equity Pool Top Holdings (Dec 31/2016)	Weight (%)
1. Davita Inc.	5.3
2. J.P. Morgan Chase & Co.	5.1
3. ECHO Global Logistics Inc.	5.0
4. MetLife Inc.	4.9
5. Alphabet Inc.	4.7
6. BB&T Corp.	4.6
7. Emerson Electric Co.	4.6
8. Kering ADR	4.5
9. AIG	4.5
10. Las Vegas Sands Inc.	4.4
Total	**47.6**

Best performers during the quarter[2]

J.P. MORGAN CHASE & CO. UP +33%

Most U.S. financial services companies have been rallying due to President-elect Trump's talk about reducing regulatory burdens on the industry. This sentiment, plus the prospect of tax cuts and gradually rising interest rates, augers well for the U.S. financial services industry. In addition, J.P. Morgan's third quarter financial performance was impressive led by strong investment banking revenue, reduced worries about energy loans and solid investment management performance. This is an extremely well managed bank and a core holding for the portfolio.

BB&T CORP. UP +28%

BB&T reported solid financial results in the quarter primarily due to expense control. As well, the company improved its positioning for a rising interest rate environment. We believe that general economic strength in the U.S. will parlay into solid earnings growth for this super-regional bank.

METLIFE UP +25%

MetLife is in the process of spinning out a large portion of its retail business including significant universal life secondary guarantees and variable annuities which are more volatile businesses than MetLife's core operations. After the spin-off, the company will be considerably less capital constrained and should generate significantly higher earnings to free cash flow conversion. This will allow for significant returns of capital to shareholders both through opportunistic share buybacks and possibly acquisitions.

CSX CORP. UP +21%

CSX has been successfully reducing costs ahead of the prospects of falling revenues, which are down largely due to declining coal volumes. The company has also taken steps to replace coal volumes with intermodal and merchandise business, within which it has demonstrated pricing power. Today, with coal volumes possibly bottoming (and maybe increasing under a Donald Trump administration) investors have begun to take notice of CSX's improving earnings prospects.

Worst performers during the quarter[2]

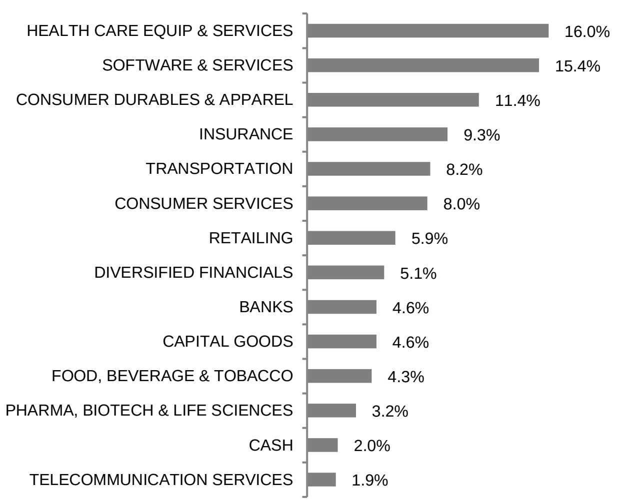
THERMO FISHER SCIENTIFIC DOWN -9%

Thermo Fisher (TMO) was down moderately over the quarter. TMO is the global leader in the provisioning of research instruments and consumables for the biological and medical research community. As well, its products are essential in the development and production of pharmaceuticals. The stock has sold off somewhat recently as investors fear rate increases could reduce the potential economics of TMO's acquisitions strategies. This, plus general malaise in the drug sector due to concerns about price controls, has led to weakened investor sentiment towards Thermo Fisher. However, we are optimistic about TMO's prospects going forward. The company only has about 20% market share of its global market so there is room to grow both organically and through acquisitions. And bigger is better in this market as buyers increasingly desire one stop shopping from suppliers.

BIOGEN INC. DOWN -8%

Like most of the drug and health care sector, Biogen (BIIB) has sold off on concerns about price controls under President-elect Trump. We continue to see significant competitive advantage in Biogen due to its position as a leader in multiple sclerosis treatment. Additionally, there is significant earnings power potential in BIIB's pipeline with compounds in development for Alzheimer's and other neurological indications. Revenue growth is anticipated to be quite strong over the next 3-5 years.

U.S. Equity Pool Industry Split (Dec 31/2016)



Buys & Sells

During the quarter, two new names were added to the portfolio: Nike Inc. and Zimmer Biomet Inc.

In addition to the two new names, the fund added to its positions in Davita, Mondelez and Thermo Fisher Scientific.

The fund reduced its exposure to Alphabet, Biogen, Cognizant Tech Solutions, Express Scripts, J.P. Morgan, Kering ADR, Las Vegas Sands, Polaris Industries, Priceline Group, Tiffany and Visa. One position was eliminated: Gilead Sciences.

As a result of these transactions, the cash position at quarter end was 2.0%, modestly below the 2.3% position at the end of September 2016.

New Buys:

NIKE INC.

We took advantage of a sharp selloff in Nike's share price (down 24%) to purchase the stock in the $52-$53 range. Galibier's analysis of the company suggests that it is suffering from short-term competitive pressures from both Under Armor and Adidas who have been winning share on the margin. Nike is countering with increased innovation and is investing heavily in the direct-to-consumer retail channel, which we believe will position it well in the medium term. The company's financial position is pristine with almost $5/share of cash (~10% of share price). Based on our forecast of medium to longer term earnings recovery, we see Nike as having significant upside.

ZIMMER BIOMET HOLDINGS INC.

Zimmer Biomet is one of the largest orthopedics companies in the world. Its dominant position in knee and hip replacement products enable it to offer one-stop shopping to hospital buying groups, which is a source of competitive advantage. The shares came under pressure following a weak third quarter earnings report as a result of an inventory shortage in some of their most popular products. After talking with the company, we believe the inventory issues are short term in nature and expect them to be resolved by mid-2017. We took advantage of the market's short-term focus to build a position in a leading health care company at a discount to its intrinsic value.

U.S. Equity Pool Dynamics (Dec 31/2016)

Measure	U.S. Pool	S&P500
FY1 P/E	16.8x	16.8x
Dividend Yield	1.6%	2.1%

Source: *Galibier Capital Management Ltd, Bloomberg*

Notes:

1. *When evaluating the performance of any investment, it is important to compare it against an appropriate benchmark in order to make an informed assessment of the account's performance based on its investment strategy. Galibier utilizes broad market indexes such as the S&P/TSX Composite index and the S&P 500 index for this purpose as they are the most well-known indices and are most likely to resemble the investment strategy of the accounts. It is important to note that benchmarks do not include operating charges and transaction charges as well as other expenses related to the account's investments, which may affect its performance.*

2. *Performance % represents the percentage return to the pool during the most recent quarter and includes the impact of market price changes, buys, sells, and dividends (if any).*